

# **SWEETWATER UNION HIGH SCHOOL DISTRICT**

Audit Report

## **NATIONAL NORM-REFERENCED ACHIEVEMENT TEST PROGRAM**

Chapter 828, Statutes of 1997

*July 1, 2004, through June 30, 2006*



**JOHN CHIANG**  
California State Controller

January 2009



**JOHN CHIANG**  
**California State Controller**

January 21, 2009

Jim Cartmill, President  
Board of Education  
Sweetwater Union High School District  
1130 Fifth Avenue  
Chula Vista, CA 91911-2896

Dear Mr. Cartmill:

The State Controller's Office audited the costs claimed by Sweetwater Union High School District for the legislatively mandated National Norm-Referenced Achievement Test (NRAT) Program (Chapter 828, Statutes of 1997) for the period of July 1, 2004, through June 30, 2006.

The district claimed \$160,400 for the mandated program. Our audit disclosed that \$281 is allowable and \$160,119 is unallowable because the district claimed unsupported or ineligible costs. The State made no payments to the district. The State will pay allowable costs of \$281, contingent upon available appropriations.

Regarding the unsupported costs, if the district subsequently provides corroborating evidence to support the time it takes to perform individual reimbursable activities we will revise the final audit report as appropriate.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at CSM's Web site, at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/sk

cc: Jesus M. Gandara, Ed.D., Superintendent of Schools  
Sweetwater Union High School District  
Randolph E. Ward, Ed.D., County Superintendent of Schools  
San Diego County Office of Education  
Scott Hannan, Director  
School Fiscal Services Division  
California Department of Education  
Carol Bingham, Director  
Fiscal Policy Division  
California Department of Education  
Arlene Matsuura, Education Fiscal Services Consultant  
School Fiscal Services Division  
California Department of Education  
Jeannie Oropeza, Program Budget Manager  
Education Systems Unit  
Department of Finance

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Sweetwater Union High School District for the legislatively mandated National Norm-Referenced Achievement Test (NRAT) Program (Chapter 828, Statutes of 1997) for the period of July 1, 2004, through June 30, 2006.

The district claimed \$160,400 for the mandated program. Our audit disclosed that \$281 is allowable and \$160,119 is unallowable because the district claimed unsupported or ineligible costs. The State made no payments to the district. The State will pay allowable costs of \$281, contingent upon available appropriations.

## Background

Chapter 828, Statutes of 1997, amended Education Code sections 60607, 60609, 60615, and 60630 and added Education Code sections 60640 through 60641, and 60643. Chapter 828, Statutes of 1997, and the implementing regulations in the California Code of Regulations, Title 5, sections 850 through 904, established the Standardize Testing and Reporting (STAR) Program related to achievement testing school districts must administer to pupils in the State.

On August 24, 2000, the Commission on State Mandates (CSM), adopted a statement of decision finding that the test claim legislation and regulations impose a new program or higher level of service within the meaning of Article XIII B, section 6 of the California Constitution, and costs mandated by the state pursuant to Government Code section 17514. This decision was limited to a national norm-referenced achievement test (NRAT) and foreign language test enacted by Chapter 828, Statutes of 1997.

Chapter 216, Statutes of 2004, section 34 (Senate Bill No. 1108, effective August 11, 2004) and Chapter 895, Statutes of 2004, section 19 (Assembly Bill No. 2855, effective January 1, 2005) directed the CSM to reconsider the prior final decision and parameters and guidelines for the STAR program. On July 28, 2005, the CSM found, effective July 1, 2004, that administering the California Achievement Tests, Sixth Edition Survey (CAT/6) in grades 3 and 7 imposes a reimbursable state mandate on school districts within the meaning of Article XIII B, section 6 of the California Constitution, and Government Code sections 17514 and 17556. The NRAT Program requires school districts to test all students in grades 3 and 7 between March 15 and May 15. Reference to CAT/6 also applies to successor national norm-referenced achievement tests selected by the California Department of Education. The CSM found that all other activities were either federally mandated, and thus not reimbursable, or no longer required.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted the NRAT parameters and guidelines on December 9, 2005. The SCO issues claiming instructions to assist local agencies and school districts in claiming mandated program reimbursable costs.

## **Objective, Scope, and Methodology**

We conducted the audit to determine whether costs claimed represent increased costs resulting from the National Norm-Referenced Achievement Test Program for the period of July 1, 2004, through June 30, 2006.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the district's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the district's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

We asked the district's representative to submit a written representation letter regarding the district's accounting procedures, financial records, and mandated cost claiming procedures as recommended by generally accepted government auditing standards. However, the district declined our request.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Sweetwater Union High School District claimed \$160,400 for costs of the NRAT Program. Our audit disclosed that \$281 is allowable and \$1,160,119 is unallowable. The State made no payments to the district.

## **Views of Responsible Official**

We issued a draft audit report on October 17, 2008. Dianne Russo, Chief Financial Officer, responded by letter dated November 6, 2008 (Attachment), disagreeing with the audit findings. This final audit report includes the district's response.

## **Restricted Use**

This report is solely for the information and use of Sweetwater Union High School District, the San Diego County Office of Education, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

January 21, 2009

# Schedule 1— Summary of Program Costs July 1, 2004, through June 30, 2006

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2004, through June 30, 2005</u>				
Salaries and benefits:				
Training, policies, and procedures	\$ 15,468	\$ (1,454)	\$ (14,014)	Finding 1
Pretest and post-test coordination	—	5,899	5,899	Finding 1
Test administration	49,543	—	(49,543)	Finding 1
Reporting and recordkeeping	4,221	2,716	(1,505)	Finding 1
Total salaries and benefits	69,232	10,069	(59,163)	
Materials and supplies:				
Training, policies, and procedures	184	59	(125)	Finding 2
Pretest and post-test coordination	—	3,459	3,459	Finding 2
Test administration	6,527	—	(6,527)	Finding 2
Reporting and recordkeeping	2,179	2,179	—	Finding 2
Total materials and supplies	8,890	5,697	(3,193)	
Contract services:				
Test administration	294	—	(294)	
Total contract services	294	—	(294)	
Total direct costs	78,416	15,766	(62,650)	
Indirect costs	3,913	787	(3,126)	
Total direct and indirect costs	82,329	16,553	(65,776)	
Less mandate portion of STAR apportionments	(16,272)	(16,272)	—	
Total program costs	\$ 66,057	281	\$ (66,057)	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		\$ 281		
<u>July 1, 2005, through June 30, 2006</u>				
Salaries and benefits:				
Training, policies, and procedures	\$ 23,451	\$ 505	\$ (22,946)	Finding 1
Pretest and post-test coordination	40,339	3,185	(37,154)	Finding 1
Test administration	32,114	42	(32,072)	Finding 1
Reporting and recordkeeping	1,898	598	(1,300)	Finding 1
Total salaries and benefits	97,802	4,330	(93,472)	
Materials and supplies:				
Training, policies, and procedures	103	103	—	
Pretest and post-test coordination	4,728	409	(4,319)	Finding 2
Reporting and recordkeeping	2,386	2,922	536	Finding 2
Total materials and supplies	7,217	3,434	(3,783)	



**Schedule 1 (continued)**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
Total direct costs	105,019	7,764	(97,255)	
Indirect costs	4,988	359	(4,629)	
Total direct and indirect costs	110,007	8,123	(101,884)	
Less mandate portion of STAR apportionments	(15,664)	(15,664)	—	
Adjustment to eliminate negative balance	—	7,541	7,541	
Total program costs	<u>\$ 94,343</u>	—	<u>\$ (94,343)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ —</u>		
<u>Summary: July 1, 2004, through June 30, 2006</u>				
Salaries and benefits:				
Training, policies, and procedures	\$ 38,919	\$ 1,959	\$ (36,960)	
Pretest and post-test coordination	40,339	9,084	(31,255)	
Test administration	81,657	42	(81,615)	
Reporting and recordkeeping	6,119	3,314	(2,805)	
Total salaries and benefits	167,034	14,399	(152,635)	
Materials and supplies:				
Training, policies, and procedures	287	162	(125)	
Pretest and post-test coordination	4,728	3,868	(860)	
Test administration	6,527	—	(6,527)	
Reporting and recordkeeping	4,565	5,101	536	
Subtotal materials and supplies	16,107	9,131	(6,976)	
Contract services:				
Test administration	294	—	(294)	
Total contract services	294	—	(294)	
Total direct costs	183,435	25,530	(159,905)	
Indirect costs	8,901	1,146	(7,755)	
Total direct and indirect costs	192,336	24,676	(167,660)	
Less mandate portion of STAR apportionments	(31,936)	(31,936)	—	
Adjustment to eliminate negative balance	—	7,541	7,541	
Total program costs	<u>\$ 160,400</u>	281	<u>\$ (160,119)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 281</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

## **FINDING 1— Unsupported salaries and benefits**

The district claimed \$167,034 in salaries and benefits and \$8,101 in related indirect costs for the audit period. We determined that \$152,635 in salaries and benefits and \$7,392 in related indirect costs are unallowable. The unallowable costs were attributable to inadequate documentation.

The district's source documentation for employees' time was time logs. However, the time logs did not support the claimed costs adequately since they lacked specific dates on which activities were performed.

The district miscalculated the productive hourly rates when it inverted the certificated and classified employee benefit rates, consequently overstating and/or understating employee salary amounts.

The district applied a 49.98% rate to allocate costs to mandated activities for FY 2004-05 and FY 2005-06. We accepted the percentage, but eliminated costs for non-reimbursable tests, such as the Aprenda 3 (Spanish assessment test) and 7<sup>th</sup> Grade Writing Test.

During the audit status meetings with district representatives, we addressed the inadequate documentation for salaries and benefits. We suggested that the district perform a time study to support claimed costs. The district chose not to conduct a time study.

The following table summarizes the unsupported salaries and benefits:

	Fiscal Year		
	2004-05	2005-06	Total
<u>Salaries and Benefits</u>			
Reimbursable components:			
Training, policies, and procedures	\$ (14,014)	\$ (22,946)	\$ (36,960)
Pretest and post-test coordination	5,899	(37,154)	(31,255)
Test administration	(49,543)	(32,072)	(81,615)
Reporting and recordkeeping	<u>(1,505)</u>	<u>(1,300)</u>	<u>(2,805)</u>
Total direct costs	(59,163)	(93,472)	(152,635)
Total indirect costs	<u>(2,952)</u>	<u>(4,440)</u>	<u>(7,392)</u>
Audit adjustments	\$ (62,115)	\$ (97,912)	\$ (160,027)

The program's parameters and guidelines (section IV) state:

To be eligible for mandated cost reimbursement for any fiscal year, only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activities. Actual costs must be traceable and supported by source documents that show the validity of such costs, when they are incurred, and their relationship to the reimbursable activities. A source document is a document created at or near the same time the actual cost was incurred for the event or activity in question. Source documents may include, but are not limited to, employee time records or time logs, sign-in sheets, invoices, and receipts.

Evidence corroborating the source documents may include data relevant to the reimbursable activities otherwise in compliance with local, state, and federal government requirements. However, corroborating documents cannot be substituted for source documents.

The claimant is only allowed to claim and be reimbursed for increased costs for reimbursable activities identified by the Parameters and Guidelines. Increased cost is limited to the cost of an activity that the claimant is required to incur as a result of the mandate.

The parameters and guidelines (section V, part A) state:

Salary and Benefits

Report each employee implementing the reimbursable activities by name, job classification, and productive hourly rate (total wages and related benefits divided by productive hours). Describe the specific reimbursable activities performed and the hours devoted to each reimbursable activity performed.

The parameters and guidelines (section V, part B, Indirect Costs) state:

School districts must use the J-380 (or subsequent replacement) non-restrictive indirect costs rates provisionally approved by the California Department of Education.

Recommendation

We recommend that the district ensure that all costs claimed are applicable to the mandated program, reimbursable under the program's parameters and guidelines, and that costs are properly supported with source documents.

District's Response

The district stated that, due to the lack of detail in the draft report, it was unable to determine the total amount disallowed for each fiscal year.

The district argued that it provided certified time logs in support of the time claimed to implement the mandate. The documentation provided by the claims was sufficient to evidence the validity of the claimed costs and to trace the listing of employees claimed to the activities performed.

The district stated it claimed actual costs and that the parameters and guidelines allow certified time logs. In addition, the district stated that the parameters and guidelines provide no requirement for time log span for any particular period of time. The fact that more than one employee's time is recorded on a single time log cannot be used as a basis of audit adjustment.

The district did not dispute the productive hourly rate inversion. However, the district claimed that it could not determine adjustment amounts for the finding.

The district stated that Aprenda 3 and 7th Grade Writing are part of STAR, and should be used to calculate the percentage to allocate costs to mandated activities. By eliminating the costs for these test in the reimbursable percentage, the draft report understated the mandated costs.

The district also stated that the draft report does not contain a finding to disclose the incorrect rates applied to the salaries and benefits.

#### SCO's Comment

We revised the audit finding based on the district's response and provided additional information to clarify the adjustment. Unallowable costs decreased by \$5,962, from \$165,989 to \$160,027. On December 22, 2008, we sent the district detail worksheets supporting the audit adjustments. As of the issuance of this audit report, the district has not responded to the detail worksheets or changes to the audit finding.

The district provided time records for staff; however, most of them only represented summary rather than actual costs. Based on the district's response we reviewed the time records and allowed hours that disclosed specific dates. We did not adjust for incorrect indirect cost rates, as such an adjustment was not material.

The reimbursable percentages developed by the district were only applied to activities reported as STAR. However, if the activity was specifically identified as Aprenda 3 or any other non-reimbursable test, we did not allow the costs.

#### **FINDING 2— Misstated costs for materials and supplies**

The district claimed \$16,107 in materials and supplies and \$787 in related indirect costs for the audit period. We determined that \$6,976 in materials and supplies and \$343 in related indirect costs are unallowable.

For FY 2004-05, the district:

- Overstated training, policies, and procedures costs by \$125 because it claimed costs for duplicating Directions for Administration notices for grades 8 to 11.
- Did not claim \$3,459 in pretest/post-test costs related to pencils and ID services.
- Overstated test administration by \$6,527 because it claimed costs pertinent to pretest/post-test coordination within the Test Administration component.

For FY 2005-06, the district:

- Overstated pre-test and post-test costs by \$4,319 primarily because it claimed costs not related to the mandate. For example, the district claimed costs for preparing and mailing guidance letters to parents.
- Underclaimed reporting and recordkeeping costs by \$536. The district did not claim postage and costs to report CAT/6 results by \$2,790, and overstated costs to prepare and mailing parent reports by \$2,254.

The following table summarizes the misstated costs for materials and supplies:

	Fiscal Year		
	2004-05	2005-06	Total
<u>Materials and Supplies</u>			
Reimbursable components:			
Training, policies, and procedures	\$ (125)	\$ —	\$ (125)
Pretest and post-test coordination	3,459	(4,319)	(860)
Test administration	(6,527)	—	(6,527)
Reporting and recordkeeping	—	536	536
Total direct costs	(3,193)	(3,783)	(6,976)
Total indirect costs	(159)	(184)	(343)
Audit adjustments	\$ (3,352)	\$ (3,967)	\$ (7,319)

The program's parameters and guidelines (section V (2)) state:

Report the cost of materials and supplies that have been consumed or expended for the purpose of the reimbursable activities.

The parameters and guidelines (section IV, part D, Reporting and Record Keeping) state:

The cost of materials and supplies used for reports (including, paper and envelopes), the costs of postage for mailing reports to parents, and the cost of computer programming used for reporting purposes is reimbursable under this activity.

### Recommendation

We recommend that the district claim only costs that are reimbursable under the program's parameters and guidelines, and that are properly supported with source documents.

### District's Response

The district did not dispute the findings for materials and supplies. However, the district took issue with the relocation of materials and supplies that were transferred to the Pre-test and Post-test Coordination component. The district claimed that the materials and supplies were incorrectly categorized but should not be eliminated. The district also stated that there is no allegation that the costs were unsupported or unreasonable or that they were for materials that are not reimbursable; therefore, the costs should be allowed.

The district stated that the annual State Budget provides districts funding to perform some, but not all, of the activities within the scope of the mandate.

SCO's Comment

The finding and recommendation remain unchanged.

The relocated costs pertained to the Test Administration component. For Test Administration, the district claimed \$6,527 for materials and supplies for FY 2004-05. However, our review determined that costs of \$3,068 are associated with non-reimbursable activities. The remaining \$3,459 was transformed to Pre-Test and Post-Test Coordination component as follows:

	Claimed Costs	Non-reim- bursable Costs	Reimbursable Costs Reclassified
<u>Test Administration</u>			
Postage/letter "Wiseness Tips to Parents"	\$ (482)	\$ (482)	\$ —
Parent notification letters (pre-test) envelopes	(109)	(109)	—
Pencil sharpening charge	(271)	—	(271)
STAR letter guide	(474)	(474)	—
APY and API reports	(528)	(528)	—
Pre-ID services, SABE/2	(349)	(349)	—
Pre-ID services	(3,188)	—	(3,188)
Demo-ID correction	(1,125)	(1,125)	—
Subtotal	<u>\$ (6,527)</u>	<u>\$ (3,068)</u>	<u>\$ (3,459)</u>

The California Department of Education (CDE) apportionment notice states that the funds issued to school districts are intended for participation in STAR program coordination. Consequently, we reduced the apportionment from claimed amounts.

**OTHER ISSUES**

In response to the draft audit report, the district addressed the following issues that arose during the audit.

**Basis for Adjustments**District's Response

The draft audit report (page 2) states that the audit was conducted under the authority of Government Code Section 17561 (among others). However, the draft audit report does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d)(2)).

The draft audit report (page 2) also states that "generally accepted government auditing standards" were used to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings. . . ." However, the draft audit report, as discussed below, asserts unpublished standards of "evidence" in excess of the parameters and guidelines and Government Code. It would therefore appear that the entire findings are based upon the wrong standard for review. If the Controller wishes to enforce other audit standards for mandated cost reimbursement, the Controller should comply with the Administrative Procedures Act.

### SCO's Comment

Government Code section 17558.5 requires the district to file a reimbursement claim for actual mandate-related costs. Government Code section 17561(d)(2) allows the SCO to audit the district's records to verify actual mandate-related cost and reduce any claim that the SCO determines is excessive or unreasonable. In addition, Government Code section 12410 states, "The Controller shall audit all claims against the state, and may audit the disbursement of any state money for correctness, legality, and for sufficient provisions of law for payment." Therefore, the district's contention that the SCO "is authorized to reduce a claim only if it determines the claim to be excessive or unreasonable" is not valid.

Nevertheless, the SCO did conclude that the district's claimed costs were excessive. "Excessive" is defined as "exceeding what is usual, proper, necessary, or normal. . . . Excessive implies an amount or degree too great to be reasonable or acceptable. . . ."<sup>1</sup> The district failed to provide adequate documentation to support claimed costs.

### **Public Records Request**

#### District's Response

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period that defines the type of source documentation required, timing of the date of the preparation of employee time records, and the prohibition of declarations as unacceptable documentation. Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within 10 days of receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reason therefore. Also, as required, when so notifying the District, please state the estimated date and time when records will be made available.

#### SCO's Comment

On December 9, 2008, we sent the district the requested documentation applicable to NRAT program for the audit period.

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<sup>1</sup> Merriam-Webster's Collegiate Dictionary, Tenth Edition, © 2001

**Attachment—  
District's Response to  
Draft Audit Report**

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**Dianne Russo, Chief Financial Officer**  
1130 Fifth Avenue, Chula Vista, CA 91911-2896  
Telephone: (619) 691-5550 FAX: (619) 425-3394

November 6, 2008

Mr. Jim L. Spano, Chief  
Mandated Costs Audits Bureau  
California State Controller  
Division of Audits  
P.O. Box 942850  
Sacramento, CA 94250-5874

Re: Sweetwater Union High School District  
828/97 National Norm-Referenced Achievement Test (NRAT) Program  
Fiscal Years 2004-05 and 2005-06

Dear Mr. Spano:

This letter is the response of Sweetwater Union High School District to the letter of Jeffrey V. Brownfield, dated October 17, 2008, and received by the District on October 27, 2008, which transmits a draft copy of your audit report of the District's National Norm-Referenced Achievement Test (NRAT) annual reimbursement claims, for the period of July 1, 2004, through June 30, 2006.

#### **Basis for the Adjustments**

The draft audit report (page 2) states that the audit was conducted under the authority of Government Code section 17561 (among others). However, the draft audit report does not assert that the claimed costs were excessive or unreasonable, which is the only mandated cost audit standard in statute (Government Code Section 17561(d) (2)).

The draft audit report (page 2) also states that "generally accepted government auditing standards" were used "... to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings ...". However, the draft audit report, as discussed below, asserts unpublished standards of "evidence" in excess of the parameters and guidelines and Government Code. It would therefore appear that the entire findings are based upon the wrong standard for review. If the Controller wishes to enforce other audit standards for mandated cost reimbursement, the Controller should comply with the Administrative Procedures Act.

#### **The Audit Report Amounts**

The draft audit report fails to adequately disclose the amounts adjusted by reason for each fiscal year. Instead, the draft audit report list the amounts adjusted by *activity* each fiscal year, but not the amounts by the *reason* for the adjustment. Since this presentation of information is identical to the information provided in the "summary of program costs" for each fiscal year, beginning on page 4 of the audit report, it does not increase the understanding of the costs disallowed. These deficiencies hinder a complete evaluation of the statement of findings.

## **Finding 1 Unsupported salary and benefit costs**

This finding eliminates \$158,313 as unallowable salary and benefits costs, with \$7,676 in related indirect costs, for a total adjustment of \$165,989. Four reasons are listed for the adjustment: (1) inadequate documentation, (2) incorrect calculation of productive hourly rates, (3) ineligible tests, and (4) application of incorrect indirect cost rates. However, the audit report does not specify the amounts attributable to each reason. This deficiency hinders an accurate evaluation of the draft audit report.

### **1. Inadequate Documentation**

The draft audit report concludes that the time logs prepared by the District were inadequate because they were not prepared contemporaneously, hours were reported without dates or with date ranges exceeding six months, or the logs included more than one employee. Due to the lack of detail in the draft audit report, the District is unable to determine the total amount disallowed for each fiscal year for inadequate documentation or the amount attributable to the various reasons stated in support of this adjustment.

The parameters and guidelines for this program require that "... only actual costs may be claimed." That the actual costs must be "... traceable and supported by source documents that show the validity of such costs, when they were incurred, and their relationship to the reimbursable activities." Further, that the source document is "... a document created at or near the same time the actual cost was incurred for the event or activity in question." The parameters and guidelines then enumerate the types of "evidence" to corroborate the source documents, which includes declarations.

The actual cost at issue here is the staff time to implement the various mandate requirements throughout the fiscal year. The District provided certified time logs in support of the time claimed to implement the mandate. The documentation provided by the claimant was sufficient to evidence the "validity" of the claimed costs and to trace the listing of employees claimed to the activities performed. Since the Controller does not assert that any of the costs are excessive or unreasonable, then the issue is whether the costs claimed can be shown by the documentation to be proper and factual, that is, "valid":

- **ACTUAL COSTS:** The costs claimed really existed, and are therefore "actual" costs. The parameters and guidelines provide no standards for measurement of these costs and allow certified time logs, which are an appropriate cost accounting method.

- **FORM OF REPORTING:** The parameters and guidelines provide no standards for recording and reporting these costs other than the listing of employee costs, which was satisfied by completion of the Controller's forms, and the availability of "source documents" or "worksheets" for audit. The District provided documentation generated in the ordinary course of business and the implementation of the mandate as well as documentation provided specifically for the claim. The fact that more than one employee's time is recorded on a single time log cannot be used as a basis for an audit adjustment because there is absolutely no requirement in either the original nor the amended parameters and guidelines for each employee to keep a separate time log. Similarly, there is no requirement that the time logs span any particular period of time.

- **VALIDITY OF COSTS:** The propriety of the claimed costs depends on the scope of activities to be reimbursed, subject to any cost limitations stated in the parameters and guidelines. The District documentation was sufficient for the auditor to conclude that some of the claimed costs were not related to the mandate, therefore is sufficient to support the claimable activities.

### **2. Productive Hourly Rates**

The draft audit report states that employee salary amounts were understated and overstated because the District inverted the benefit rates for certificated and classified staff. The District

does not dispute that this inadvertent inversion occurred. However, due to the lack of detail in the draft audit report, the District is unable to determine the amount of the adjustment attributable to this finding for each fiscal year or ascertain whether this amount was correctly calculated.

### **3. Ineligible Tests**

The draft audit report concludes that salaries and benefits were overstated because District staff reported hours dedicated to the entire STAR program, which includes tests that are considered non-reimbursable. The auditor accepted the District's calculation of 49.98% as allowable for both fiscal years, but also eliminated costs associated with the Aprenda 3 and 7th Grade Writing Test. However, these tests are part of the STAR program and were included when calculating the percentage to allocate costs to mandated activities. By applying the percentage and also removing costs for these tests, the draft audit report is understating the mandated costs.

### **4. Indirect Cost Rates**

Incorrect indirect cost rates are listed as a reason for the adjustment to salaries and benefits. However, the draft audit report does not make a Finding, that is, the audit report does not adjust the claimed indirect cost rate. The District is unable to evaluate any adjustment due to incorrect cost rates as a result of this complete lack of information in the report.

## **Finding 2 Misstated Materials and Supplies**

This finding eliminates \$6,976 in materials and supplies, with \$343 in related indirect costs, for a total adjustment of \$7,319. For FY 2004-05, \$125 was eliminated for Directions for Administration notices for grades 8 to 11, and \$3,459 was added for unclaimed pretest/post-test supplies. The District does not dispute these findings.

The District does dispute the elimination of \$6,527 for costs that were claimed under the Test Administration component but were actually related to the Pretest and Post-Test Coordination component. These costs were improperly categorized, but should not be completely eliminated for this reason. There is no allegation that the costs were unsupported, unreasonable, or that they were for materials that are not reimbursable under this mandate. Therefore, the costs should be allowed.

## **STAR Reimbursements**

The draft audit report reduces the audited direct and indirect costs by the amount of the "STAR apportionments." The annual State Budget provides districts funding to perform some, but not all, of the activities within the scope of the mandate. The audit report does not indicate that the apportionments have been properly matched to the relevant funded activities.

## **Management Representation Letter**

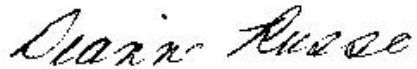
The draft audit report transmittal letter requests that the District submit a "management representation letter" within fifteen days. The district will not be providing this letter.

## **Public Records Request**

The District requests that the Controller provide the District any and all written instructions, memorandums, or other writings in effect and applicable during the claiming period that define the type of source documentation required, timing of the preparation of employee time records, and the prohibition of declarations as unacceptable documentation. Government Code section 6253, subdivision (c), requires the state agency that is the subject of the request, within 10 days from receipt of a request for a copy of records, to determine whether the request, in whole or in part, seeks copies of disclosable public records in your possession and promptly notify the

part, seeks copies of disclosable public records in your possession and promptly notify the requesting party of that determination and the reasons therefore. Also, as required, when so notifying the District, please state the estimated date and time when the records will be made available.

Sincerely,

A handwritten signature in cursive script that reads "Dianne Russo".

Dianne Russo, Chief Financial Officer  
Sweetwater Union High School District

**State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874**

**<http://www.sco.ca.gov>**